

PREVAILED

Roll Call No. _____

FAILED

Ayes _____

WITHDRAWN

Noes _____

RULED OUT OF ORDER

HOUSE MOTION _____

MR. SPEAKER:

I move that House Bill 1001 be amended to read as follows:

- 1 Page 115, between lines 19 and 20, begin a new paragraph and
2 insert:
3 "SECTION 127. IC 6-1.1-20-1 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JANUARY 1, 2009]: Sec. 1. For purposes
5 of this chapter, the term "bonds" means any bonds or other evidences
6 of indebtedness payable from property taxes **or a school income tax**
7 **under IC 20-46.5** for a controlled project, but does not include:
8 (1) notes representing loans under IC 36-2-6-18, IC 36-3-4-22,
9 IC 36-4-6-20, or IC 36-5-2-11 which are payable within five (5)
10 years after issuance;
11 (2) warrants representing temporary loans which are payable out
12 of taxes levied and in the course of collection;
13 (3) a lease;
14 (4) obligations; or
15 (5) funding, refunding, or judgment funding bonds of political
16 subdivisions.
17 SECTION 128. IC 6-1.1-20-1.1, AS AMENDED BY P.L.2-2006,
18 SECTION 51, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
19 JANUARY 1, 2009]: Sec. 1.1. As used in this chapter, "controlled
20 project" means any project financed by bonds or a lease, except for the
21 following:
22 (1) A project for which the political subdivision reasonably
23 expects to pay:
24 (A) debt service; or

- 1 (B) lease rentals;
 2 from funds other than **a school income tax under IC 20-46.5** or
 3 property taxes that are exempt from the levy limitations of
 4 IC 6-1.1-18.5 or IC 20-45-3. **Except for a project payable from**
 5 **a school income tax under IC 20-46.5**, a project is not a
 6 controlled project even though the political subdivision has
 7 pledged to levy property taxes to pay the debt service or lease
 8 rentals if those other funds are insufficient.
- 9 (2) A project that will not cost the political subdivision more than
 10 two million dollars (\$2,000,000).
- 11 (3) A project that is being refinanced for the purpose of providing
 12 gross or net present value savings to taxpayers.
- 13 (4) A project for which bonds were issued or leases were entered
 14 into before January 1, 1996, or where the state board of tax
 15 commissioners has approved the issuance of bonds or the
 16 execution of leases before January 1, 1996.
- 17 (5) A project that is required by a court order holding that a
 18 federal law mandates the project.
- 19 SECTION 129. IC 6-1.1-20-1.3, AS AMENDED BY P.L.2-2006,
 20 SECTION 53, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 21 JANUARY 1, 2009]: Sec. 1.3. As used in this chapter, "lease" means
 22 a lease by a political subdivision of any controlled project with lease
 23 rentals payable from **a school income tax under IC 20-46.5** or
 24 property taxes that are exempt from the levy limitations of
 25 IC 6-1.1-18.5 or IC 20-45-3.
- 26 SECTION 130. IC 6-1.1-20-1.5 IS AMENDED TO READ AS
 27 FOLLOWS [EFFECTIVE JANUARY 1, 2009]: Sec. 1.5. As used in
 28 this chapter, "obligations" refers to a contract or promise to pay of a
 29 political subdivision that would be considered a bond or lease under
 30 this chapter but for the fact that it is payable solely from funds other
 31 than **a school income tax under IC 20-46.5** or property taxes.
- 32 SECTION 131. IC 6-1.1-20-2 IS AMENDED TO READ AS
 33 FOLLOWS [EFFECTIVE JANUARY 1, 2009]: Sec. 2. (a) A political
 34 subdivision may, subject to the limitations provided by law, issue any
 35 bonds, notes, or warrants, or enter into any leases or obligations that it
 36 considers necessary.
- 37 (b) Notwithstanding subsection (a) or any other law, a school
 38 corporation may pledge either:
 39 (1) property taxes; or
 40 (2) a school income tax imposed under IC 20-46.5;
 41 to pay debt service or lease rentals with respect to any controlled
 42 project that is the subject of a preliminary determination made
 43 after December 31, 2008, to issue bonds or enter a lease.
- 44 (c) A school corporation may pledge property taxes to pay an
 45 obligation or a lease rental if the certified distribution from a
 46 school income tax imposed under IC 20-46.5 is insufficient to make

1 **the obligation or lease rental payments.**

2 SECTION 132. IC 6-1.1-20-3.3 IS AMENDED TO READ AS
3 FOLLOWS [EFFECTIVE JANUARY 1, 2009]: Sec. 3.3. (a)
4 Notwithstanding any other law, a political subdivision may issue or
5 enter into obligations under any statute that requires or permits the
6 imposition of property taxes to pay debt service or lease rentals without
7 pledging to impose property taxes, if necessary, to pay the debt service
8 or lease rentals.

9 **(b) This subsection applies to a school corporation's preliminary**
10 **determination to issue bonds or enter a lease made after December**
11 **31, 2008. Notwithstanding any other law, a school corporation may**
12 **issue bonds or enter into obligations under any statute that**
13 **requires or permits the use of a school income tax imposed under**
14 **IC 20-46.5 to pay debt service or lease rentals without pledging to**
15 **impose school income taxes, if necessary, to pay the debt service or**
16 **lease rentals.**

17 (c) If the proper officers of a political subdivision determine to use
18 revenues other than:

19 (1) property taxes; or

20 (2) a school income tax imposed under IC 20-46.5 (in the case
21 of a school corporation that makes a preliminary
22 determination to issue bonds or enter a lease after December
23 31, 2008);

24 to pay obligations without pledging to impose ~~property taxes~~ a tax
25 described in subdivision (1) or (2) for that purpose, the provisions of
26 any other statute relating to controlling ~~property~~ those taxes do not
27 apply to the issuance of or entering into the obligations."

28 Page 115, line 25, after "property taxes" insert "or a school income
29 tax imposed under IC 20-46.5".

30 Page 115, line 34, after "property taxes" insert "or a school income
31 tax under IC 20-46.5".

32 Page 117, line 2, after "property taxes" insert "or a school income
33 tax under IC 20-46.5".

34 Page 117, line 11, after "property tax" insert "or school income
35 tax".

36 Page 217, between lines 31 and 32, begin a new paragraph and
37 insert:

38 "SECTION 209. IC 20-46-7-3, AS ADDED BY P.L.2-2006,
39 SECTION 169, IS AMENDED TO READ AS FOLLOWS
40 [EFFECTIVE JANUARY 1, 2009]: Sec. 3. (a) As used in this chapter,
41 "obligation" refers to any obligation that is permitted or required by law
42 to be paid from the fund under IC 20-40-9 or another law.

43 (b) Except as provided in subsection (c), the term does not
44 include an obligation to pay the following:

45 (1) Lease rentals (as defined in IC 20-46.5-1-4).

46 (2) Obligations (as defined in IC 20-46.5-1-5).

(c) The term includes an obligation described in subsection (b) if a school corporation has pledged to levy property taxes to pay lease rentals (as defined in IC 20-46.5-1-4) or obligations (as defined in IC 20-46.5-1-5) and the certified distribution for a school income tax is insufficient to make the payments.

SECTION 210. IC 20-46.5 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE APRIL 1, 2008]:

ARTICLE 46.5. SCHOOL INCOME TAX

Chapter 1. Definitions

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. "Adjusted gross income" has the meaning set forth in IC 6-3-1-3.5(a), except that in the case of a school district taxpayer who is not a resident of a school district that has imposed the school income tax, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

Sec. 3. "Governing body" has the meaning set forth in IC 20-29-2-10.

Sec. 4. "Lease rental" refers to a lease rental:

- (1) to which IC 6-1.1-20 applies; and
- (2) for which a preliminary determination to issue bonds is made after December 31, 2008.

Sec. 5. "Obligation" refers to a bond:

- (1) to which IC 6-1.1-20 applies; and
- (2) for which a preliminary determination to issue the bond is made after December 31, 2008.

Sec. 6. "Resident school district taxpayer", as it relates to a school district for a year, means any school district taxpayer who resides in that school district on the date specified in IC 20-46.5-3-1.

Sec. 7. "School district taxpayer", as it relates to a school district for a year, means any individual who resides in that school district on the date specified in IC 20-46.5-3-1.

Sec. 8. "School income tax" refers to a tax imposed under this article.

Chapter 2. Imposition of Tax

Sec. 1. The governing body of a school corporation may impose a school income tax on the adjusted gross income of school district taxpayers of its school district effective July 1 of a year that is sufficient to pay all or part of the school corporation's obligations and lease rentals that are due in the immediately following year. The school income tax may be imposed in any increment of one hundredth percent (0.01%), regardless of whether a county adjusted gross income tax, a county option income tax, or a county economic development income tax has been imposed in any county

1 where the school corporation is located. However, this section does
 2 not prohibit a school corporation from pledging property taxes to
 3 pay an obligation or lease rental if the certified distribution from
 4 a school income tax is insufficient to make the obligation or lease
 5 rental payments.

6 Sec. 2. Upon written petition by any aggrieved party, the
 7 department of local government finance may increase the school
 8 income tax rate imposed in a school district to meet the payments
 9 required in a year for the obligations and lease rentals of a school
 10 corporation.

11 Sec. 3. A school income tax may be imposed in anticipation of
 12 the approval by the department of local government finance of the
 13 use of the school income tax for lease rental payments and the
 14 payment of obligations. Any part of a certified distribution
 15 received by a school corporation from a school income tax shall be
 16 placed in a reserve and may not be used for any other purpose.

17 Sec. 4. (a) To impose the school income tax, the governing body
 18 of a school corporation must, after January 1 but before June 1 of
 19 a year, adopt an ordinance. The ordinance must substantially state
 20 the following:

21 "The governing body of the _____ (insert name of school
 22 corporation) imposes the school income tax on the school
 23 district taxpayers of _____ (insert name of school
 24 corporation) school district. The school income tax is imposed
 25 at a rate of _____ percent (____%) on the resident school
 26 district taxpayers of the school district. The tax takes effect
 27 July 1 after this election."

28 (b) An ordinance adopted under this section takes effect July 1
 29 of the year the ordinance is adopted. However, in 2008, a school
 30 corporation may impose a school income tax after May 31, 2008,
 31 and before July 15, 2008. An ordinance adopted after May 31,
 32 2008, and before July 15, 2008, takes effect August 1, 2008.

33 (c) The secretary of the governing body of a school corporation
 34 shall record all votes taken on an ordinance presented for a vote
 35 under this section and immediately send a certified copy of the
 36 results to the department of state revenue by certified mail.

37 Sec. 5. (a) The governing body of a school corporation may
 38 increase the school income tax rate imposed upon the resident
 39 school district taxpayers of the school district. To increase the rate,
 40 the governing body of the school corporation must, after January
 41 1 but before June 1 of a year, adopt an ordinance. The ordinance
 42 must substantially state the following:

43 "The governing body of the _____ (insert name of school
 44 corporation) increases the school income tax rate imposed
 45 upon the resident school district taxpayers of the school
 46 district from _____ percent (____%) to _____ percent
 47 (____%). The tax rate increase takes effect July 1 after this

election.".

(b) An ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(c) The secretary of the governing body of a school corporation shall record all votes taken on an ordinance presented for a vote under this section and immediately send a certified copy of the results to the department of state revenue by certified mail.

Sec. 6. (a) The governing body of a school corporation may increase or decrease the school income tax rate imposed upon the resident school district taxpayers of the school district. To increase or decrease the rate, the governing body of the school corporation must, after January 1 but before June 1 of a year, adopt an ordinance. The ordinance must substantially state the following:

"The governing body of the _____ (insert name of school corporation) increases/decreases (insert appropriate term) the school income tax rate imposed upon the resident school district taxpayers of the school district from _____ percent (____%) to _____ percent (____%). The tax rate increase/decrease (insert appropriate term) takes effect July 1 after this election.".

(b) The governing body of a school corporation may not decrease the school income tax rate if the school corporation has pledged the school income tax for any purpose permitted by IC 5-1-14 or any other statute. The prohibition in this subsection does not apply if the school corporation pledges legally available revenues to fully replace revenue lost due to the decrease in the school corporation's school income tax rate.

(c) An ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(d) The secretary of the governing body of a school corporation shall record all votes taken on an ordinance presented for a vote under this section and immediately send a certified copy of the results to the department of state revenue by certified mail.

Sec. 7. (a) The school income tax imposed by a governing body of a school corporation under this article remains in effect until an ordinance adopted by the governing body under subsection (b) takes effect.

(b) Except as provided in subsection (e), the governing body of a school corporation may rescind the school income tax by adopting an ordinance to rescind the tax after January 1 but before June 1 of a year.

(c) An ordinance adopted under this section takes effect July 1 of the year the ordinance is adopted.

(d) The secretary of the governing body of a school corporation shall record all votes taken on an ordinance presented for a vote under this section and immediately send a certified copy of the results to the department of state revenue by certified mail.

(e) The governing body of a school corporation may not rescind the school income tax if the school corporation has pledged the school income tax for any purpose permitted by IC 5-1-14 or any other statute. The prohibition in this subsection does not apply if the school corporation pledges legally available revenues to fully replace the school corporation's school income tax that has been pledged.

Chapter 3. Taxpayer Liability

Sec. 1. For purposes of this article, an individual shall be treated as a resident of the school district in which the individual:

- (1) maintains a home if the individual maintains only one (1) in Indiana;
- (2) if subdivision (1) does not apply, is registered to vote;
- (3) if neither subdivision (1) nor (2) applies, registers the taxpayer's personal automobile; or
- (4) if subdivisions (1), (2), and (3) do not apply, spends the majority of the taxpayer's time in Indiana during the taxable year in question.

Sec. 2. (a) The governing body of the school corporation of any adopting school district may adopt an ordinance to enter into reciprocity agreements with the taxing authority of any school district of another state. Such a reciprocity agreement must provide that the income of resident school district taxpayers is exempt from income taxation by the other local governmental entity to the extent that income of the residents of the other local governmental entity is exempt from the school income tax in the adopting school district.

(b) A reciprocity agreement entered into under subsection (a) may not become effective until it is also made effective in the other local governmental entity that is a party to the agreement.

(c) The form and effective date of a reciprocity agreement described in this section must be approved by the department of state revenue.

Sec. 3. (a) Except as provided in subsections (b) through (c), if the school income tax is not in effect during a school district taxpayer's entire taxable year, the amount of school income tax that the school district taxpayer owes for that taxable year equals the product of:

- (1) the amount of school income tax the school district taxpayer would owe if the tax had been imposed during the school district taxpayer's entire taxable year; multiplied by
- (2) the following fraction:
 - (A) The numerator of the fraction equals the number of days during the school district taxpayer's taxable year during which the school income tax was in effect.
 - (B) The denominator of the fraction equals the total number of days in the school district taxpayer's taxable

1 year.

2 **(b) If a school district taxpayer:**

- 3 (1) is unemployed for a part of the taxpayer's taxable year;
 4 (2) was not discharged for just cause (as defined in
 5 IC 22-4-15-1(d)); and
 6 (3) has no earned income for the part of the taxpayer's taxable
 7 year that the school income tax was in effect;

8 the school district taxpayer's adjusted gross income for the taxable
 9 year is reduced by the amount of the taxpayer's earned income for
 10 the taxable year.

11 **(c) A taxpayer who qualifies under subsection (b) must file a**
 12 **claim for a refund for the difference between:**

- 13 (1) the school income tax owed, as determined under
 14 subsection (a); and
 15 (2) the school income tax owed, as determined under
 16 subsection (b).

17 A claim for a refund must be on a form approved by the
 18 department of state revenue and include all supporting
 19 documentation reasonably required by the department of state
 20 revenue.

21 **Sec. 4. (a) Except as provided in subsection (b), if for a**
 22 **particular taxable year a school district taxpayer is liable for an**
 23 **income tax imposed by a school district located outside Indiana, the**
 24 **school district taxpayer is entitled to a credit against the taxpayer's**
 25 **school income tax liability for that same taxable year. The amount**
 26 **of the credit equals the amount of tax imposed by the other**
 27 **governmental entity on income derived from sources outside**
 28 **Indiana and is subject to the school income tax. However, the**
 29 **credit provided by this section may not reduce a school district**
 30 **taxpayer's school income tax liability to an amount less than would**
 31 **have been owed if the income subject to taxation by the other**
 32 **governmental entity had been ignored.**

33 **(b) The credit provided by this section does not apply to a school**
 34 **district taxpayer to the extent that the other governmental entity**
 35 **provides for a credit to the taxpayer for the amount of school**
 36 **income taxes owed under this article.**

37 **(c) To claim the credit provided by this section, a school district**
 38 **taxpayer must provide the department of state revenue with**
 39 **satisfactory evidence that the taxpayer is entitled to the credit.**

40 **Sec. 5. (a) If for a particular taxable year a school district**
 41 **taxpayer is, or a school district taxpayer and the taxpayer's spouse**
 42 **who file a joint return are, allowed a credit for the elderly or the**
 43 **totally disabled under Section 22 of the Internal Revenue Code, the**
 44 **school district taxpayer is, or the school district taxpayer and the**
 45 **taxpayer's spouse are, entitled to a credit against the taxpayer's or**
 46 **taxpayers' school income tax liability for that same taxable year.**
 47 **The amount of the credit equals the lesser of:**

(1) the product of:

(A) the taxpayer's, or the taxpayer's and the taxpayer's spouse's, credit for the elderly or the totally disabled for that same taxable year; multiplied by

(B) a fraction, the numerator of which is the school income tax rate imposed against the school district taxpayer, or the school district taxpayer and the taxpayer's spouse, and the denominator of which is fifteen-hundredths (0.15); or

(2) the amount of school income tax imposed on the school district taxpayer, or the school district taxpayer and the taxpayer's spouse.

(b) If a school district taxpayer and the taxpayer's spouse file a joint return and are subject to different school income tax rates for the same taxable year, they shall compute the credit under this section by using the formula provided by subsection (a), except that they shall use the average of the two (2) school income tax rates imposed against them as the numerator referred to in subsection (a)(1)(B).

Chapter 4. Administration

Sec. 1. Except as otherwise provided in this article, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

(1) definitions;

(2) declarations of estimated tax;

(3) filing of returns;

(4) remittances;

(5) incorporation of the provisions of the Internal Revenue Code;

(6) penalties and interest;

(7) exclusion of military pay credits for withholding; and

(8) exemptions and deductions;

apply to the imposition, collection, and administration of the tax imposed by this article.

Sec. 2. IC 6-3-1-3.5(a)(6), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the tax imposed by this article.

Sec. 3. Notwithstanding sections 1 and 2 of this chapter, each employer shall report to the department of state revenue the amount of withholdings attributable to each school district. The taxpayer's report shall be submitted annually along with the employer's annual withholding report and as otherwise prescribed by the department of state revenue.

Chapter 5. Certified Distributions

Sec. 1. (a) A special account within the state general fund shall be established for each school corporation adopting the school income tax. Any revenue derived from the imposition of the school income tax by a school district shall be deposited in the school district's account in the state general fund.

1 (b) Any income earned on money held in an account under
2 subsection (a) becomes a part of that account.

3 (c) Any revenue remaining in an account established under
4 subsection (a) at the end of a fiscal year does not revert to the state
5 general fund.

6 Sec. 2. (a) Revenue derived from the imposition of the school
7 income tax must, in the manner prescribed by this section, be
8 distributed to the school district that imposed it. The amount to be
9 distributed to a school district during an ensuing calendar year
10 equals the amount of school income tax revenue that the
11 department of state revenue, after reviewing the recommendation
12 of the budget agency, determines has been:

13 (1) received from the school district for a taxable year ending
14 before the calendar year in which the determination is made;
15 and

16 (2) reported on an annual return or amended return
17 processed by the department of state revenue in the state
18 fiscal year ending before July 1 of the calendar year in which
19 the determination is made;

20 as adjusted (as determined after review of the recommendation of
21 the budget agency) for refunds of school income tax made in the
22 state fiscal year.

23 (b) Before August 2 of each calendar year, the department of
24 state revenue, after reviewing the recommendation of the budget
25 agency, shall certify to the school district auditor of each adopting
26 school district the amount determined under subsection (a) plus the
27 amount of interest in the school district's account that has accrued
28 and has not been included in a certification made in a preceding
29 year. The amount certified is the school district's "certified
30 distribution" for the immediately succeeding calendar year. The
31 amount certified shall be adjusted under subsections (c), (d), (e),
32 and (f). The department of state revenue shall provide with the
33 certification an informative summary of the calculations used to
34 determine the certified distribution.

35 (c) The department of state revenue shall certify an amount less
36 than the amount determined under subsection (b) if the
37 department of state revenue, after reviewing the recommendation
38 of the budget agency, determines that the reduced distribution is
39 necessary to offset overpayments made in a calendar year before
40 the calendar year of the distribution. The department of state
41 revenue, after reviewing the recommendation of the budget agency,
42 may reduce the amount of the certified distribution over several
43 calendar years so that any overpayments are offset over several
44 years rather than in one (1) lump sum.

45 (d) The department of state revenue, after reviewing the
46 recommendation of the budget agency, shall adjust the certified
47 distribution of a school district to correct for any clerical or

1 mathematical errors made in any previous certification under this
 2 section. The department of state revenue, after reviewing the
 3 recommendation of the budget agency, may reduce the amount of
 4 the certified distribution over several calendar years so that any
 5 adjustment under this subsection is offset over several years rather
 6 than in one (1) lump sum.

7 (e) This subsection applies to a school district that initially
 8 imposes a tax under this article in the same calendar year in which
 9 the department of state revenue makes a certification under this
 10 section. The department of state revenue, after reviewing the
 11 recommendation of the budget agency, shall adjust the certified
 12 distribution of the school district to provide for a distribution in
 13 the immediately following calendar year and in each calendar year
 14 thereafter. The department of state revenue shall provide for a full
 15 transition to certification of distributions as provided in subsection
 16 (a)(1) through (a)(2) in the manner provided in subsection (c).

17 (f) This subsection applies to a school district that increases,
 18 decreases, or rescinds a tax rate under this article in the same
 19 calendar year in which the department of state revenue makes a
 20 certification under this section. The department of state revenue,
 21 after reviewing the recommendation of the budget agency, shall
 22 adjust the certified distribution of the school district to provide for
 23 a distribution in the immediately following calendar year and in
 24 each calendar year thereafter. The department of state revenue
 25 shall provide for a full transition to certification of distributions as
 26 provided in subsection (a)(1) through (a)(2) in the manner
 27 provided in subsection (c).

28 Sec. 3. (a) One-twelfth (1/12) of each adopting school
 29 corporation's certified distribution for a calendar year shall be
 30 distributed from the school corporation's account established
 31 under section 1 of this chapter to the school corporation's treasurer
 32 on the first day of each month of that calendar year.

33 (b) All distributions from an account established under section
 34 1 of this chapter shall be made by warrants issued by the auditor
 35 of the state to the treasurer of state ordering the appropriate
 36 payments.

37 Sec. 4. Before October 2 of each year, the department of state
 38 revenue shall submit a report to each school district auditor
 39 indicating the balance in the school district's adjusted gross income
 40 tax account as of the cutoff date specified by the budget agency.

41 Sec. 5. (a) If, after receiving a recommendation from the budget
 42 agency, the department of state revenue determines that a
 43 sufficient balance exists in a school district account that exceeds the
 44 amount necessary, when added to other money that will be
 45 deposited in the account after the date of the recommendation, to
 46 make certified distributions to the school district in the ensuing
 47 year, the department of state revenue shall make a supplemental

1 distribution to a school district from the school district's adjusted
2 gross income tax account.

3 (b) A supplemental distribution described in subsection (a) must
4 be:

5 (1) made in January of the ensuing calendar year; and

6 (2) used in the same manner as certified distributions.

7 (c) A determination under this section must be made before
8 October 2.

9 Chapter 6. Allowable Expenditures; Debt Service

10 Sec. 1. Money distributed to a school corporation under this
11 article shall be deposited in the school corporation's debt service
12 fund and may be used only for the following purposes:

13 (1) Lease rentals.

14 (2) Obligations.

15 Sec. 2. Notwithstanding any other law, if a school corporation
16 desires to issue obligations or enter into leases payable wholly or
17 in part by the school income tax, the obligations of the school
18 corporation or any lessor may be sold at public sale in accordance
19 with IC 5-1-11 or at a negotiated sale.

20 Sec. 3. (a) A pledge of school income tax revenues under this
21 article is enforceable in accordance with IC 5-1-14.

22 (b) With respect to obligations for which a pledge has been
23 made under this article, the general assembly covenants with the
24 school district and the purchasers or owners of those obligations
25 that this article will not be repealed or amended in any manner
26 that will adversely affect the collection of the tax imposed under
27 this article as long as the principal of or interest on those
28 obligations is unpaid. The prohibition in this section does not apply
29 if the general assembly provides for legally available revenues to
30 fully replace the lost revenue due to the repeal or amendment of
31 this article.

32 Chapter 7. Approval of Use of Tax

33 Sec. 1. A school corporation must obtain approval from the
34 department of local government finance before the school
35 corporation may:

36 (1) incur the indebtedness; or

37 (2) enter into the lease agreement;

38 that is payable from a certified distribution under this article. The
39 school corporation may impose a school income tax rate under this
40 article in anticipation of the approval of the indebtedness or lease
41 agreement but must place the certified distribution in reserve and
42 may not use the reserve for any other purpose.

43 Sec. 2. A school corporation must file a petition requesting
44 approval from the department of local government finance to:

45 (1) incur bond indebtedness; or

46 (2) enter into a lease rental agreement;

47 payable from a certified distribution under this article not later

1 than twenty-four (24) months after the first date of publication of
 2 notice of a preliminary determination under IC 6-1.1-20-3.5(b)(2)
 3 unless the school corporation demonstrates that a longer period is
 4 reasonable in light of the school corporation's facts and
 5 circumstances.

6 Sec. 3. (a) The department of local government finance may:

- 7 (1) approve;
- 8 (2) disapprove; or
- 9 (3) modify then approve;

10 a school corporation's proposed lease rental agreement or bond
 11 issue. Before the department of local government finance approves
 12 or disapproves a proposed lease rental agreement or bond issue,
 13 the department of local government finance may seek the
 14 recommendation of the tax control board.

15 (b) The department of local government finance shall render a
 16 decision not more than three (3) months after the date the
 17 department of local government finance receives a request for
 18 approval under this chapter. However, the department of local
 19 government finance may extend this three (3) month period by an
 20 additional three (3) months if, at least ten (10) days before the end
 21 of the original three (3) month period, the department of local
 22 government finance sends notice of the extension to the executive
 23 officer of the school corporation.

24 Sec. 4. (a) The department of local government finance may not
 25 approve a school corporation's proposed lease rental agreement or
 26 bond issue to finance the construction of additional classrooms
 27 unless the school corporation first:

- 28 (1) establishes that additional classroom space is necessary;
- 29 and
- 30 (2) conducts a feasibility study, holds public hearings, and
- 31 hears public testimony on using a twelve (12) month school
- 32 term (instead of the nine (9) month school term under
- 33 IC 20-30-2-7) rather than expanding classroom space.

34 (b) A taxpayer may petition for judicial review of the final
 35 determination of the department of local government finance
 36 under this section. The petition must be filed in the tax court not
 37 more than thirty (30) days after the department of local
 38 government finance enters its order under this section.

39 Sec. 5. The department of local government finance in
 40 determining whether to approve or disapprove a school building
 41 construction project and the tax control board in determining
 42 whether to recommend approval or disapproval of a school
 43 building construction project shall consider the following factors:

- 44 (1) The current and proposed square footage of school
- 45 building space per student.
- 46 (2) Enrollment patterns within the school corporation.
- 47 (3) The age and condition of the current school facilities.

1 **(4) The cost per square foot of the school building**
 2 **construction project.**

3 **(5) The effect that completion of the school building**
 4 **construction project would have on the school corporation's**
 5 **tax rate.**

6 **(6) Any other pertinent matter.**

7 **Sec. 6. The department of local government finance in**
 8 **determining whether to approve or disapprove a school building**
 9 **construction project and the tax control board in determining**
 10 **whether to recommend approval or disapproval of a school**
 11 **building construction project may not approve or recommend the**
 12 **approval of a project that is financed through the issuance of bonds**
 13 **if the bonds mature more than twenty-five (25) years after the date**
 14 **of the issuance of the bonds.**

15 **Sec. 7. The department of local government finance shall**
 16 **annually conduct the review of debt service obligations (as defined**
 17 **in IC 20-48-1-11) required in IC 20-48-1-11.**

18 SECTION 211. IC 20-48-1-11, AS ADDED BY P.L.2-2006,
 19 SECTION 171, IS AMENDED TO READ AS FOLLOWS
 20 [EFFECTIVE JANUARY 1, 2009]: Sec. 11. (a) As used in this section,
 21 "debt service obligations" refers to the principal and interest payable
 22 during a calendar year on a school corporation's general obligation
 23 bonds and lease rentals under IC 20-47-2 and IC 20-47-3.

24 (b) Before the end of each calendar year, the department of local
 25 government finance shall review the bond and lease rental levies,
 26 **income tax levies under IC 20-46.5**, or any levies that replace bond
 27 and lease rental levies, of each school corporation that are payable in
 28 the next succeeding year and the appropriations from the levies from
 29 which the school corporation is to pay the amount, if any, of the school
 30 corporation's debt service obligations. If the levies and appropriations
 31 of the school corporation are not sufficient to pay the debt service
 32 obligations, the department of local government finance shall establish
 33 for each school corporation:

34 (1) bond or lease rental levies, or any levies that replace the bond
 35 and lease rental levies; and

36 (2) appropriations;

37 that are sufficient to pay the debt service obligations.

38 (c) Upon the failure of a school corporation to pay any of the school
 39 corporation's debt service obligations during a calendar year when due,
 40 the treasurer of state, upon being notified of the failure by a claimant,
 41 shall pay the unpaid debt service obligations that are due from the
 42 funds of the state only to the extent of the amounts appropriated by the
 43 general assembly for the calendar year for distribution to the school
 44 corporation from state funds, deducting the payment from the
 45 appropriated amounts. ~~★~~ **The** deduction under this subsection must be
 46 made:

- 1 (1) first from property tax relief funds to the extent of the property
2 tax relief funds;
3 (2) second from all other funds except state tuition support; and
4 (3) third from state tuition support.
5 (d) This section shall be interpreted liberally so that the state shall
6 to the extent legally valid ensure that the debt service obligations of
7 each school corporation are paid. However, this section does not create
8 a debt of the state.".
9 Renumber all SECTIONS consecutively.
 (Reference is to HB 1001 as printed January 17, 2008.)

Representative Buell